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UNCLAS SECTION 01 OF 02 ANKARA 005310

SIPDIS

SENSITIVE

USDOC FOR 4212/ITA/MAC/OEURA/CPD/CRUSNAK
DOE FOR CHUCK WASHINGTON
TREASURY FOR INTERNATIONAL AFFAIRS - CPLANTIER
STATE ALSO FOR DAS BRYZA
STATE ALSO FOR OPIC

E.O. 12958: N/A

TAGS: [ENRG](#) [EPET](#) [ETRD](#) [TU](#) [IZ](#) [OPIC](#)

SUBJECT: TURKEY'S ELECTRICITY EXPORTS TO IRAQ - GOOD NEWS;
BAD NEWS FOR CURRENT EXPORTER

REF: A. ANKARA 4288

[1](#)B. ANKARA 5080

SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE ACCORDINGLY.

[1](#)1. (SBU) SUMMARY: Turkey's Kartet Company gained GOT regulatory approval for increasing its exports to Iraq to 300 MW from current 200 MW, but for a limited and indefinite period, in favor of aiming for a competitive tender for allocation of transmission capacity for the longer term or for a larger amount. Kartet also did not gain approval for a proposed increase to 1200 MW, but remains confident, because of GOT political support, and despite opposition from the energy regulatory authority. End Summary.

[1](#)2. (SBU) Currently exporting about 200 MW of electricity from its Silopi plant in Turkey to northern Iraq, Kartet Company has sought to increase its exports to - first - 300 MW, then later to 1200 MW, using electricity from Turkey's transmission grid (Ref A). Kartet's Orhan Karadeniz told EnergyOff September 9 that he had good news and bad news (from Kartet's perspective). Good news: Turkey's Energy Market Regulatory Authority (EMRA) extended Kartet's export license to January 2007 for up to 300 MW. Bad news: Kartet's special export rights will be terminated at the earlier of January 2007 or at the time of a competitive tender for allocation of transmission capacity from the Turkish grid (State Company TEIAS).

[1](#)3. (SBU) The Kartet rep still expressed optimism that they could move forward on their increase to 300 MW and that Kartet was the only company in a position to deliver electricity to northern Iraq, even in the event of a competitive tender, because of its existing contract (with the ITG - and before CPA) and technical capacity. Karadeniz said that work had been completed or funding had been identified for improvements at the border and rehabilitation and improvements on the Iraqi side to achieve 300 MW sustained transmission capability in about 3 weeks. He was still optimistic about obtaining an eventual extension from EMRA for beyond January 2007, based on the legal basis of its contract and license application.

[1](#)4. (SBU) With respect to the larger increase to 1200 MW, Karadeniz admitted that the prospect and timing had been made more uncertain, but he cited high level support from the PM and MFA as potential for an ultimate positive solution. Karadeniz asked for help on keeping Turkish and Iraqi officials focused on electricity exports from Turkey (he lamented ineffectiveness of ITG individuals). Karadeniz said he would travel to the U.S. and be in Washington September 16-19 to meet with DOD and OPIC (possible source for facilitating financing for Iraq improvements related to the increased exports project).

[1](#)5. (SBU) COMMENT: Embassy has previously noted that Kartet may not be the sole company capable of providing increased electricity to northern Iraq. As energy sector regulator struggling to secure its independence, EMRA is determined to ensure a level playing field among other companies it says are also interested in competing for scarce transmission capacity to export electricity. Embassy will keep this issue on the table; however, strong political interests back Kartet's project. EUR DAS Bryza raised the issue on August 26 with MENR U/S Sami Demirbilek, who thought EMRA's plans to auction transmission rights to Iraq from Turkey was not workable (Ref B).
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